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*To ensure access to high-quality,
patient-centered, cost-effective health
care to Los Angeles County residents
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and through collaboration with
community and university partners.*



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June 17, 2014

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**PROVIDER SERVICES AGREEMENTS WITH MEDICARE-MEDICAID
PLANS FOR CAL MEDICONNECT PROGRAM
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

SUBJECT

Request delegated authority for contractual actions necessary for the Department of Health Services to participate in Cal MediConnect Program with Medicare-Medicaid Plans selected by the Centers for Medicare and Medicaid Services and the State Department of Health Care Services.

IT IS RECOMMENDED THAT THE BOARD:

1. Delegate authority to the Director of Health Services (Director), or his designee, to negotiate and execute a capitated Participating Provider Agreement and a Hospital Services Agreement (collectively referred to as "Provider Services Agreements") with Care1st Health Plan and Molina Healthcare, Inc. (individually as "Medicare-Medicaid Plan" or "MMP") for the Cal MediConnect Program, effective July 1, 2014, or upon execution, whichever is later, and co-terminus with the tri-party agreement between the MMP, the State Department of Health Care Services (DHCS) and the Centers for Medicare and Medicaid Services (CMS), at rates to be negotiated, subject to review and approval by the County Counsel and with notification to the Board of Supervisors (Board) and the Chief Executive Office (CEO).
2. Delegate authority to the Director, or his designee, to negotiate and execute capitated Provider Services Agreements with other MMPs designated by

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

28 June 17, 2014

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

DHCS and CMS to participate in the Cal MediConnect Program in Los Angeles County, effective July 1, 2014, or upon execution, whichever is later and co-terminus with the tri-party agreement between the MMP, DHCS and CMS, at rates to be negotiated, subject to review and approval by the County Counsel and with notification to the Board and the CEO.

3. Delegate authority to the Director, or his designee, to negotiate and execute future amendments to the Provider Services Agreements described in recommendations 1 and 2 above to: (a) add other capitated lines of business (e.g., Medi-Cal, Medicare), (b) adjust capitation rates, division of financial responsibility, delegated functions and other rate related arrangements, (c) update and/or incorporate new State/federal law and regulations, County provisions and other regulatory/contractual requirements, (d) make appropriate changes to contract language for clarity and/or improve efficiency (administrative, programmatic and operational), and (e) extend the term of the agreements corresponding to any new extension date(s) of the Duals Demonstration Project as approved by DHCS and CMS, subject to prior review and approval by County Counsel and with thirty days prior written notification to the Board and the CEO.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the first recommendation will allow DHS to negotiate and execute capitated Provider Services Agreements with Care1st Health Plan (Care1st) and Molina Healthcare, Inc. (Molina) for the Cal MediConnect Program. In February 2014, DHCS added Care1st and Molina as additional MMPs to implement the Cal MediConnect Program in Los Angeles County. During this time, DHS and these two health plans were already in the midst of entering into fee-for-service contracts. Both health plans and DHS agreed to begin discussions about a Cal MediConnect contract after the conclusion of the fee-for-service contracts, which became effective April 1, 2014. DHS is now in active negotiations with both MMPs for capitated Provider Services Agreements.

The Cal MediConnect Program is part of a three-year Duals Demonstration Project developed jointly by the DHCS and CMS to enroll up to 456,000 beneficiaries who have health coverage through both Medi-Cal and Medicare (sometimes referred to as “Duals”, “Dual Eligibles” or “Medi-Medis”) into managed care delivery systems. The Cal MediConnect Program will operate in eight California counties, including Los Angeles County, where enrollment will be limited to 200,000 participants. In calendar year 2013, approximately 9,700 Dual Eligibles had clinical visits at DHS facilities/clinics. In Los Angeles County, the MMPs participating in the Cal MediConnect Program are: Health Net of California, Inc., L.A. Care Health Plan, Care More Health Plan, Care1st Health Plan and Molina Healthcare, Inc. As indicated above, the DHS is currently in active negotiations with Care1st and Molina for the Cal MediConnect capitated Provider Services Agreements. With respect to the other three participating MMPs, DHS will work collaboratively with each health plan to establish a suitable time to participate in each of their Cal MediConnect provider network.

Enrollment into the Cal MediConnect Program is voluntary; a Dual Eligible beneficiary is not required to participate in the program and can “opt-out.” Opting out means the Dual Eligible beneficiary chooses not to join the Cal MediConnect managed care demonstration program and elects to receive his/her Medicare benefits separate through the fee-for-service delivery system. Opting out applies only to Medicare benefits. Beneficiaries cannot opt out of the Medi-Cal managed care system and, therefore, must select (or be assigned) and receive their Medi-Cal benefits through a managed care health plan.

The Cal MediConnect Program enrollment will be transitioned over a 12 month period Statewide and a beneficiary's enrollment is based on the individual's birth month. Starting April 1, 2014, Dual Eligibles were able to voluntarily enroll into Cal MediConnect and select a MMP of their choice. Starting July 1, 2014, DHCS will use a passive enrollment process for Cal MediConnect. This means that DHCS will enroll Dual Eligibles into a MMP that combines their Medicare and Medi-Cal benefits unless the beneficiary actively chooses not to participate in Cal MediConnect and notifies DHCS of this choice. DHCS will send Dual Eligible beneficiaries multiple notices describing their choices, including the option to opt out of Cal MediConnect. As of May 1, 2014, there were less than 40 Dual Eligibles enrolled in Cal MediConnect in Los Angeles County.

Dual Eligibles are a diverse population of beneficiaries with complex and often costly health care needs. These individuals generally have lower incomes and are sicker than those covered by Medicare alone. The Cal MediConnect Program is designed to coordinate medical services, behavioral services, long-term care, and home and community based services under one MMP for Dual Eligibles. Cal MediConnect establishes a person-centered care model where beneficiaries will have one point of contact for all their questions and covered benefits and access to a care team that will coordinate their health care and help them stay independent longer in their own homes and communities. The key component of the Cal MediConnect Program is to promote better care and improve alignment and coordination of Medicare and Medi-Cal benefits.

DHS' recent experience with the Medi-Cal Seniors and Persons with Disabilities (SPD) transition from a fee-for-service delivery system to managed care has helped prepare the DHS for the Duals transition. Through the SPD transition, DHS gained a better understanding about meeting the health care needs of this vulnerable population, including challenges in member communication, continuity of care management, mental health services referrals, management of chronic conditions, etc.

DHS wants to ensure that it has the ability to retain existing Dual Eligible patients that are interested in continuing to receive services at DHS facilities. By contracting with MMPs participating in the Cal MediConnect Program, DHS' current and future Dual Eligible patients will be able to select a DHS primary care medical home/provider if they elect to join the Cal MediConnect Program.

As noted previously, the Cal MediConnect Program is a demonstration project designed to measure alignment of benefits provided to Medicare-Medicaid enrollees. As such, there is an evaluative component to this project, and there are robust and strict standards with respect to the level of Medicare-Medicaid data reporting (both accuracy and timeliness) required by the MMPs in order to be in compliance (known as "Core Reporting Requirements"). Provider groups and hospitals contracting with the MMPs will be required to provide a range of clinical and administrative data to MMPs who will in turn compile and analyze the data before submission to both DHCS and CMS. Due to the complex nature and scope of the Core Reporting Requirements, DHS will initially start implementation of the Cal MediConnect Program at only two DHS sites: (1) Edward R. Roybal Comprehensive Health Center and (2) Harbor-UCLA Lomita Family Medicine Health Center. Phasing in implementation of Cal MediConnect Program will allow DHS to build the necessary infrastructure and processes to ensure that State/CMS/MMP specific measures (e.g., care coordination, utilization management, individual care plan, transitions between care settings, encounter data, claims management, confidentiality/beneficiary care protections, communications with enrollees, and others) are in place and will be appropriately met by DHS. This is particularly important as it relates to Medicare provisions. DHS will open additional sites to implement the Cal MediConnect Program as these DHS sites are deemed ready.

Approval of the second recommendation will permit DHS to participate in the provider networks of other MMPs selected by DHCS and CMS to participate in the Cal MediConnect Program in Los

Angeles County during the term of the Duals Demonstration Project.

Approval of the third recommendation will allow DHS to amend the Provider Services Agreements in a timely manner for new/updated reimbursement rates, changes in financial arrangements and delegated activities, changes in state/Federal law and regulations, County and other regulatory or contractual requirements, clarification of contract language and other contract terms and conditions to ensure continued operational, administrative and programmatic efficiency and fiscal viability, and provide ability for DHS to extend the term of the agreements if DHCS and CMS extend the term of the Duals Demonstration Project.

Implementation of Strategic Plan Goals

The recommended actions support Goal 2, Fiscal Sustainability and Goal 3, Integrated Services Delivery of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

CMS and DHCS have been engaged in a process to establish rates for the participating MMPs, where MMPs will be paid a "blended" capitated monthly amount of each enrolled beneficiary that combines the Medicare and Medi-Cal capitated rates. The Memorandum of Understanding signed on March 27, 2013 between DHCS and CMS outlines the various steps to establish the final rates. While the methodology to establish the rates has been made public, the rates themselves have not been released to MMPs.

The DHS/MMP Provider Services Agreements will establish and address shared financial accountability to improve coordination of services and reduce cost shifting between Medicare and Medi-Cal. DHS and MMPs will develop formal financial arrangements for shared cost savings resulting from achieving shared performance metrics through the division of financial responsibility and through the use of actuarially sound assumptions. The DHS will also take into account when negotiating the rates the Cal MediConnect Program's overall financial impact to the Department as a whole.

The capitation rates to be negotiated by DHS with MMPs are confidential and subject to Section 1457 of the Health and Safety Code. This information will be provided to your Board under a separate confidential memorandum.

The Provider Services Agreements are intended to increase potential revenue for DHS through receipt of monthly per member per month capitation payments from MMPs. However, DHS is unable to project the estimated costs and revenues associated with contracting for Provider Services Agreements with MMPs at this time. As necessary, DHS will include the Cal MediConnect Program in future budget years.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

In January 2012, Governor Jerry Brown announced the Coordinated Care Initiative (CCI), also known as the Duals Demonstration Project, to enhance health outcomes and satisfaction for beneficiaries of both the Medicare and Medi-Cal Programs, referred to as "Dual Eligibles."

The goals of Cal MediConnect Program, which is part of CCI, are to: (1) coordinate state and Federal benefits and access to care settings, improve continuity of care, and use of person-centered approach; (2) maximize the ability of Dual-Eligibles to remain in their homes and communities with appropriate services and supports in lieu of institutional care; (3) preserve and enhance the ability for beneficiaries to receive high quality and coordinate care; and (4) optimize the use of Medicare, Medi-Cal and other State/County resources.

Agreement Negotiations

As with other payor contracting, DHS will use the standard provider agreement template provided by MMPs in order to expedite negotiations and execution of the Cal MediConnect Provider Services Agreements. Such contractual documents will comply with state/Federal law and the required provisions set forth by the California Department of Managed Health Care. These standard agreements will contain the following provisions: mutual indemnification clauses, insurance coverage requirements for the parties, the mandatory use of binding arbitration to resolve disputes, and termination for convenience by either party upon prior notice.

The Cal MediConnect Provider Services Agreements will be reviewed and approved as to form by County Counsel prior to execution.

CONTRACTING PROCESS

DHCS and CMS require that the individual MMPs execute agreements with provider groups and hospitals for the Dual-Eligibles enrolled in the Cal MediConnect Program. Delegated authority to enter into Cal MediConnect Provider Services Agreements does not require DHS to undergo a competitive contracting process to determine which MMP the DHS enters into agreements with or provider network participation. This is because DHCS and CMS jointly determined which MMPs are to implement the Cal MediConnect Program in California and in each participating county. In Los Angeles County, the MMPs designated for participation in the Cal MediConnect Program are: Health Net of California, Inc., L.A. Care Health Plan, Care More Health Plan, Care1st Health Plan and Molina Healthcare, Inc.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

If the Cal MediConnect Provider Services Agreements are not signed and executed, DHS may be at risk of losing the opportunity to coordinate Medicare and Medi-Cal benefits into a seamless system of care with the potential to improve health outcomes, improve Dual Eligible beneficiary satisfaction and reduce health care cost.

The Honorable Board of Supervisors

6/17/2014

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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mitchell Katz". The signature is written in a cursive, flowing style.

Mitchell H. Katz, M.D.

Director

MHK:ln

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors